

# LEGISLATIVE AUDIT COMMISSION



Review of  
Department on Aging  
Year Ended June 30, 2000

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**REVIEW: 4136  
DEPARTMENT ON AGING  
YEAR ENDED JUNE 30, 2000**

**FINDINGS/RECOMMENDATIONS -10**

**ACCEPTED - 7  
IMPLEMENTED - 3**

**REPEATED RECOMMENDATIONS - 1**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 6**

This review summarizes the audit of the Department on Aging for the year ended June 30, 2000, filed with the Legislative Audit Commission on March 27, 2001. The auditors performed a financial and compliance audit in accordance with State law and applicable auditing standards. The auditors reported the Department's financial statements are fairly stated.

The Department on Aging was created by the State legislature in 1973 for the purpose of improving the quality of life for Illinois' senior citizens by coordinating programs and services enabling older persons to preserve their independence as long as possible. It is the single State agency in Illinois authorized to receive and dispense Federal Older Americans Act funds through area agencies on aging and community-based service providers. Appendix A presents statistical information on the Department's State Community Care Program. The average monthly caseload in FY2000 was 37,365, compared to 35,803 clients in FY99.

The Director of the Department during the audit period was Margo E. Schreiber. She became Director of the Department on Aging on January 19, 1999. Director Schreiber had no previous service with the Department prior to her appointment as Director.

The number of persons employed by the Department was 112 in FY2000 and 106 in FY99.

**Expenditures From Appropriations**

The General Assembly appropriated a total of \$270,391,500 to the Department for FY2000. Of the total appropriation, approximately \$254.7 million was expended for distributive purposes, with the remaining \$6.2 million expended for operating expenses. Of the total appropriation, \$200.3 million, or 80%, is from the General Revenue Fund, with the remaining 20% from the Older Americans Fund. Appendix B presents a summary of appropriations and expenditures for FY2000 and FY99.

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Total expenditures increased from \$236,076,993 in FY99, to \$260,900,610 in FY2000, an increase of \$24,619,147, or 10.4%. Total expenditures for operations increased from \$5,695,266 in FY99 to \$6,196,211, an increase of \$500,945, or 8.8%. At the same time, total expenditures for distributive expenses increased from \$230,381,727 in FY99 to \$254,704,399 in FY2000. Significant variations in expenditures from FY99 to FY2000 occurred in the Homemaker and Chore/Housekeeper and Senior Companion Services which increased \$20.2 million. There was a rate increase in Case Coordination Units totaling \$3.3 million.

Lapse period expenditures were 15.1%, or \$39.5 million in FY2000 compared to 12%, or \$28.5 million, in FY99.

### **Cash Receipts**

Appendix C is a summary of cash receipts of the Department for FY2000 and FY99. Total cash receipts decreased from \$47,554,739 in FY99 to \$45,826,453 in FY2000. The largest change in cash receipts was the decrease from \$37.7 million in FY99 to \$36.1 million from the U.S. Department of Health and Human Services for nutrition services and grants to senior centers.

### **Property and Equipment**

Appendix D is a summary of property and equipment transactions of the Illinois Department on Aging during the period under review. The balance increased from \$903,222 as of July 1, 2000 to \$903,307 as of June 30, 2001.

### **Accountants' Findings and Recommendations**

Condensed below are the 10 findings and recommendations presented in the audit report. There were three repeated recommendations. The following recommendations are classified on the basis of information in the audit report provided Director Schreiber.

#### **Accepted**

- 1. Develop a formal system of methodology to assist in planning, developing, testing and implementing new system development or modifications including:**
  - **Feasibility studies and cost benefit analysis of the proposed implementation;**
  - **Full-cost budget projects;**

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- Documentation standards;
- Project management techniques including benchmarking and mileposts;
- Clear approval system;
- Change control procedures, including appropriate procedures for ensuring authorized changes only are moved into the production environment and adequate segregation of duties exist;
- Testing requirements;
- Training procedures;
- Quality control evaluation techniques; and
- Post-implementation reviews.

**Ensure that training and user manuals are developed.**

**Findings:** The Department has not established a formal computer systems development methodology, change control procedures, or training procedures. The Department develops, acquires, implements, maintains, and modifies a variety of information systems critical for completing its mission. The Computer system administered over \$234,800,000 and \$56,900,000 in State and federal funds in FY2000, respectively. However, there is no formal methodology to assist in the planning of the information systems development process, testing and changing computer programs, or training of individuals who use the systems for critical Department functions.

A processing bottleneck has lengthened processing time and increased the amount of work to administrative staff. Further, as a result of various factors, including changing vendors and inadequate training, the Community Care Program Information System (CCPIS) vendor request for payments were rejected approximately 6.6% of the time for FY2000. Department officials stated they were unaware of system inadequacies until the problems occurred with the new CCPIS.

**Response:** Accepted. The Department will investigate the development of a formal System Development Life Cycle and Methodology. The Department will continue efforts to effectively train all users, and revise the manual.

## **2. Comply with statute and review and validate billing data submitted from the Community Care Provider contracted vendors prior to disbursing payment.**

**Findings:** Since the computer system was designed to reject a transaction upon the first failed criteria, it is not uncommon for a transaction to be resubmitted multiple times resulting in a significant amount of elapsed time prior to the transaction being successfully validated and payment generated. Department officials state that estimated payments were made to Community Care Providers' contracted vendors to assist vendors in maintaining a stable cash flow and prevent payment delays that might adversely affect the vendors' ability to deliver needed services.

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By paying estimated payments, the Department runs the risk of paying vendors for invalid billing submissions. For FY2000, the Department made a total of \$34.9 million in

**Accepted - continued**

estimated payments of which \$25.7 has been validated. Approximately \$9.2 million from 219 providers is awaiting validation.

**Response:** Accepted. The estimated payments during FY2000 were considered a one-time, short-term solution to ensure uninterrupted service to elderly clients. As of January 2001, \$5 million remains to be validated. All estimated payments will be reconciled by June 2001.

**3. Establish comprehensive policies and procedures that outline physical and logical security standards, including general security provisions, appropriate use of computers, backup and care of data. Restrict access to network servers. Develop a standard security plan and implement the following minimum standards:**

- **Passwords changed every 35 days;**
- **Review user accounts and suspend those not used;**
- **Require unique passwords;**
- **Require passwords of at least five characters;**
- **Allow only one log-on, unless two are necessary for some users;**
- **Limit log-on attempts to three;**
- **Activate intruder detection on all servers;**
- **Install virus detection software on all local machines;**
- **Check all floppy disks prior to introduction to the LAN; and**
- **Physically secure computer equipment.**

**Findings:** The Department has not established adequate controls over computer resources. The Department maintains computer systems that are critical to the performance of the Department's mission. Computer systems administered over \$234 million in State funds and \$56 million in federal funds in FY2000. Over 130 employees have access to the LAN. The auditors identified several security weaknesses involving system access, virus protection, and system security.

**Response:** Accepted. The Department's anti-virus software is running on the LAN. The Department will review intruder detection setting on the LAN and user accounts. The Department will investigate the development of policies and procedures to ensure physical security of computer resources. The Department will investigate the use of locks on the LAN room and printing room doors.

**5. Prepare and submit service and administrative cost submission reports to DPA to receive reimbursement.**

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**Findings:** The Department failed to timely submit service and administrative cost submission reports to the Department of Public Aid for reimbursement for the Title XIX—Medical Assistance Program.

DPA requires that the Department on Aging submit service cost submission reports to be reimbursed for expenses related to Title XIX—Medical Assistance Program. Historically, the Department has filed these service reports monthly. During FY99, the reports were filed 10 months late. Historically, the Department submitted administrative cost submission reports quarterly. During FY99, the reports were filed between three and 12 months late.

Department officials stated that the reports were not submitted timely due to problems with the Community Care Program Information System, which compiles that data necessary to prepare the reimbursement request. Service cost for FY2000 was \$48.1 million. Administrative cost was \$12.9 million.

**Response:** Accepted. The Department filed claims with DPA as soon as the documentation was available. The Department cannot file a claim for federal reimbursement without appropriate supporting documentation, regardless of the time frame.

**7. Designate separate staff for each of the following functions: conducting physical inventories, checking the receipt of property and equipment purchases, and maintaining property and equipment records.**

**Findings:** The Department lacks proper segregation of duties in the internal control over property and equipment. The same staff person performs the annual and interim physical inventory of property and equipment, keeps the inventory records and also serves as the receiving clerk.

**Response:** Accepted. The Department will assign another individual(s) to conduct the physical inventory. The process has not changed over the last 10 years and no audit during this period indicated a problem with segregation of duties. In fact, there was no indication by the auditors that there were problems with the inventory, receiving or record-keeping function during the audit period caused by lack of segregation of duties.

**8. Maintain complete and orderly personnel files to be held in one location by one individual to ensure the proper appropriation of State assets.**

**Findings:** The Department does not keep complete payroll files on its staff. The payroll files held by one employee were found to be incomplete. There was no supporting documentation to support the deductions found on the payroll vouchers for six of 10

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employees tested. Supporting attendance records were also unavailable or unable to be found for five of 10 employees tested.

### **Accepted - concluded**

**Response:** Accepted. Payroll files will be maintained in a complete and orderly manner. The supporting documentation that was not made available to the auditors has been collected and will be organized and available for future audit reviews.

## **9. Develop controls to ensure timely reporting to the Comptroller.**

**Findings:** The Department failed to file three report forms on a timely basis with the Comptroller. The Grant/Contract Analysis form (SCO-563) was more than one month late. The Inter-Agency Grants/Contract form (SCO-567) was five days late. The Compensated Absences form (SCO-580) was 42 days late.

Department officials stated that form SCO-563 was not filed timely due to a reconciliation problem. SCO-567 was filed late due to oversight. SCO-580 was filed late due to time constraints.

**Response:** Accepted. The Department is making changes to accounting procedures to overcome the difficulties in completing SCO-563 and to allow a more timely completion of the other reports.

## **Implemented**

## **4. Comply with statutory mandate or seek legislation to change the mandate to annually report detailed pilot projects Alzheimer's disease grant information. (Repeated-1998)**

**Findings:** The Department failed to submit an annual report on the pilot project grants for Alzheimer's disease specifying the progress made in the following areas:

- implementing the program;
- number of grantees who have established programs;
- number and characteristics of participants served;
- a valuation of the usefulness in delaying the placement of participants in institutions; and
- a description of findings on the appropriate level and type of care required to meet the needs of participants.

**Response:** Implemented. The report has been completed.



**6. Develop controls to insure proper recording and reporting of property timely to the Comptroller.**

**Findings:** The Department failed to inventory and tag \$108,000 of incoming computer equipment received from CMS. In addition, the Department failed to include this equipment on the fixed assets report timely. The Department was in possession of the equipment for 15 months before it was properly tagged, inventoried and added to the quarterly fixed asset report.

**Response:** Implemented. The purchase of the equipment was unique in that funds were appropriated to CMS for Y2K. The ownership and process of accounting for the equipment was unclear at the time the equipment was received. At no time was the equipment unaccounted for. A secondary inventory control maintained in the Bureau of Information Services recorded the equipment when received and it was secured. When the question of ownership was resolved, the equipment was properly tagged and recorded on the Fixed Asset Report.

**10. Complete the necessary form for every officer using an employer provided vehicle.**

**Findings:** The Department failed to file a 1999 Report, "Reporting State Officers' Use of Employer-Provided Vehicles" (SCO-843-B) for one of its Deputy Directors. The Department leases a car solely for the business and personal use of the Deputy Director. The IRS requires that personal use of an employer-provided vehicle be treated as a taxable fringe benefit and added to the employee's compensation.

**Response:** Implemented.

**Emergency Purchases**

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

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State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY2000, the Department filed one affidavit for an emergency purchase for \$56,700.

### **Headquarters Designations**

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

As of July 2000, the Department indicated it had two employees assigned to a location other than official headquarters.